



## Why You Should Encourage Internal Reporting of Workplace Misconduct

By Juliette Gust, CFE



What restaurant veteran hasn't heard the phrase "time to lean, time to clean"? We ensure our properties are spotless inside and out, maintain dress codes and scripted phrases for every guest interaction, and meticulously maintain recipe guides and product specifications. However, when it comes to responding to allegations of wrongdoing, such as sexual harassment or embezzlement, few GMs, chefs or restaurant owners have a script or SOP on how to respond. Even the most experienced leaders can cycle through the unnerving emotions of denial, dismay, and indignation when confronted with an allegation of misconduct.

However, these knee-jerk reactions should not stop you from encouraging the internal reporting of misconduct, theft, or fraud, however daunting the need to investigate further might seem. It is, after all, your obligation to provide a safe and professional workplace environment for your employees, and to protect your people, brand, and hard-earned profits. Regardless of how sublime your cuisine or how long you have been part of your community, failing to address issues of this nature can negatively impact or even close your business.

Below are three compelling reasons why you should encourage your employees to be your eyes and ears and keep you informed of unethical or illegal conduct, so that you can resolve them internally before they spiral into larger, costly, or public problems.

**Media reports of misconduct continue to rise and spread at the speed of the internet.** "Ex-bookkeeper for Chicago restaurants charged with stealing \$600,000." "Even the great restaurant groups can foster bad behavior." "Don't review restaurants run by bad people." "Investors say #UsToo." These are just a few of the recent headlines about some of the most famous U.S. restaurants. Early reporting addressed internally can mitigate losses and brand damage and serve as "lessons learned" to help prevent future, similar incidents. By learning of problematic issues early, you can address them and prevent additional reputational damage, costly litigation, and loss of employee morale.

**Unethical business conduct comes at a high cost.** Theft and Fraud: A recent small business embezzlement study revealed that 4 out of 5 small businesses that are victims of embezzlement average a loss of more than \$800,000. The Association of Certified Fraud Examiners estimates the typical organization loses 5% of annual revenues to fraud. Misconduct: The EEOC received more than 550,000 claims of misconduct in

2018 and secured \$505 million through settlements and litigation. The foodservice and hotel industries receive more claims than any other. A company may also be required to implement costly remediation steps as a result of litigation settlements.

**Members of management are responsible for six of every ten instances of misconduct.** How many employees are lost, and how much is spent on recruiting and training new employees, due to management misconduct that remains unreported? Employees are often deterred from reporting their concerns directly to supervisors because they fear retaliation. Provide them with both at- and above-property reporting options (including an anonymous option) to reassure your staff that someone, somewhere in your organization can be contacted that is not their day-to-day supervisor. It is also imperative that you communicate a strictly enforced anti-retaliation policy for those employees who report suspicious activity in good faith.

### **What should be reported?**

Encourage the internal reporting (anonymous or not) of any conduct that is unethical, illegal, or violates a company policy. This could include theft, fraud, discrimination, harassment, workplace safety and security, conflicts of interest, food safety, data privacy/PCI issues, and trafficking.

### **What NOT to do when a report is received!**

Addressing misconduct with your employees can be straightforward or complicated, depending on the people involved and the nature of the allegations. But, regardless how complex the issues, remembering what not to do can help you maintain your composure during a difficult time, minimize disruption to your operation, and help you and your employees get back to focusing on your business and your guests.

DON'T assume you are to blame or will be blamed. Even the most talented and vigilant leaders and managers have been defrauded.

DON'T dismiss or ignore the report. Employee complaints can blossom into catastrophes because of reactive or dismissive handling.

DON'T assume the reporter is fabricating the report. A less-than-gracious motivation for reporting (e.g., recent termination or poor performance review) does not mean the reporter is being untruthful.

DON'T confront the implicated person with the report without some preparation and planning. Avoid putting them on notice until the time is right, or you may risk losing key evidence that can be destroyed or manipulated before your investigation even gets started.

DON'T share with those who do not need to know. Sharing the details, or even the existence of an allegation, outside of a "need to know" circle can lead to possible damage to someone's reputation, hinder an objective investigation, and lead to a leak of a confidential matter to a larger audience, among other risks.

DON'T delegate an investigation to the reporter's immediate supervisor. Although this may be justified in some situations, generally it is best to keep it objective and independent.

DON'T go wobbly on disciplinary action or allow your "rock stars" a free pass. Everyone is remorseful when they have been caught. Be fair and consistent. Consult with HR and Legal if you have the resources available. Consider reporting to law enforcement if warranted. Your entire team is watching your next move.

DON'T retaliate against the reporter. Just don't. And ensure no one else does.

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